

Jim's Perspective...

CPCU Insurance Executives Roundtable

As you know, The Institutes, CPCU Society is a global non-profit membership organization of insurance professionals. I have been a member of the CPCU Society since 1983. At the Society's annual meeting, they provide are a large number of insurance seminars, many of which I have attended over the years. This October the annual meeting was all virtual, but I still checked in on some of their seminars which were, of course, webinars this year. The webinar that interested me the most, was an executive roundtable discussion of current issues related to insurance. The four executives included the founder of an international risk management firm located in Washington, D.C.; the president of a company called CONNECT which is part of the American Family Insurance Group; an executive with Zurich N.A.; and the co-founder of an insurance entity called Surround Insurance. Below are some of the highlights of their roundtable discussion.

- There was a lot of discussion and concern about the use of big data in insurance risk analysis and pricing. Artificial Intelligence is playing an ever-increasing role in insurance underwriting and rates. They all expressed concern about "proxy discrimination." They specifically mentioned insurance credit scores. While there may be some correlation between a person's credit and their risk of loss, many insurance professionals believe rates based on credit discriminate against low-income people. The panelists believe that at some point Telematics auto insurance will completely replace the credit score for this insurance product. Telematics is use-based auto insurance, and the rate is based on how much you drive your car, speed data with the car, braking data and other driver behavior characteristics that might impact risk of loss with an automobile. Telematics use-based auto insurance was recently launched by General Motors in Arizona. GM cars already have an on-board concierge device called OnStar. GM will use OnStar data to monitor individual driving behavior and use of vehicle safety systems to fix the price for coverage. Insurance sold through OnStar Insurance Services will be underwritten and issued by insurers within the American Family Insurance Group. It is my understanding that CONNECT will be doing this. GM has offered auto insurance to customers in the past. It had an auto insurance product from 1925 to 2008. GM apparently also currently provides driving feedback to customers for about 19 million driving trips daily through its Smart Driver program. Tesla Inc. is planning a similar Telematics program for its cars, and apparently Ford is entering into a Telematics insurance relationship with Allstate. Also, as you probably know, there are auto insurers that provide policyholders with Telematics products that are used for determining the cost of insurance.
- There is a new "insurance starter package" for young adults that underwrites personal lines risk for young people who have graduated from college, but have not yet made their first major asset purchase. This specially designed product is sold through independent agents. Check out the web site for Surround Insurance. This may be a new type of product for independent agents to market. According to the panelists, this product enhances client retentions and it provides premium alternatives for young people.

- All panelists agreed that the insurance industry needs to participate in programs to strengthen diversity within the industry. They mentioned too, that there is an “implicit bias test” that is available from Harvard University. I have not heard of that. I guess you can have employees take the test as a way to improve workplace social interaction. Finally, two of the four panelists were women. They joked about the historical social tradition of insurance executives which they simply called, “Golf Game.” Yes, all of the upper-level insurance executives head to the country club and golf, and discuss company business. For women, year’s ago, they were left out or they were given the opportunity to “drive a golf cart.” I do think opportunities for women in insurance and American business are much better today than they were in the 1960’s and 70’s when I grew up, and the business world for women today provides much more opportunity which is a very good thing, and it has made the business world a better place!
- One of the panelists threw out for discussion the question of “why should someone consider insurance as a career?” It was interesting in that they all agreed one of the best reasons to have a career in insurance is that this financial services industry involves a high level of mental challenge. It is very cerebral or intellectual, and demands high-level thinking skills all of which keeps things interesting. They also said an insurance career is rewarding because insurance helps people in a time of need. Insurance is a financial *service*. Insurance professionals are there when the worst things happen to people.
- Insurance consumers want more convenience. Technological products that make it easier to submit a claim or obtain changes in coverage will always be preferred over old-time paper submissions or even phone calls.
- The global risk manager mentioned that on the international level, there is ongoing work to create a global payment system for insurance. I am not sure what this might involve. Perhaps some type of bitcoin solution.
- The panelists agreed that insurance benefits or monetary relief for businesses that sustained loss due to COVID-19 should be managed similar to the TRIA federal law. They noted that to manage pandemic risk exposure solely through an insurance policy, will result in some getting benefits if they have a policy, but there will be others without a policy who get nothing. A federal program that applies to all people, with federal revenue sources available at some level, is the better program.

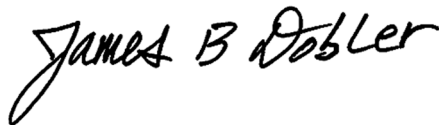
The panelists discussed a number of other technological innovations and predictive modeling programs which I did not understand very well, and they involved ideas I had not heard of. The webinar ended. I sat in my chair and pondered about how much things have changed since I started my career in insurance. When I started at Farmers Mutual I had to use a dictation machine to have a letter prepared for mailing to someone. Once I dictated the letter onto a disc, I gave it to my secretary who listened to it and typed my letter. She had an IBM Selectric typewriter which was a marvelous invention at that time. It was an electric typewriter and if you typed an incorrect letter in a word, you could automatically correct the error. You did not have to use white correction tape to change a letter in a word. All files at Farmers Mutual were paper,

and stored in the file department. All day long there were people walking around the building with large files going here and there for review. I am amazed at how much has changed in the day-to-day process of living and working. As I thought about how much things have changed over the last 40 years, it suddenly reminded me of a description of how life once was, set forth in Steven Pinker's book, *Enlightenment Now*. Pinker discusses how mankind lived and thought, prior to the Enlightenment of the 18th Century, to set the stage for how the world changed during and after the Enlightenment. He uses a description of the understanding of life, and the world, from the perspective of an educated Englishman in the year 1600 as described by historian David Wooton. This man, in 1600, thought as follows:

He believes witches can summon up storms that sink ships at sea

He believes in werewolves, although there happen not to be any in England – he knows they are to be found in Belgium. . . . He believes mice are spontaneously generated in piles of straw. He believes in contemporary magicians. . . . He has seen a unicorn's horn, but not a unicorn. He believes that it is possible to turn base metal into gold, although he doubts that anyone knows how to do it. He believes the rainbow is a sign from God, and that comets portend evil. He believes that dreams predict the future, if we know how to interpret them. He believes, of course, that the earth stands still and the sun and stars turn around the earth once every twenty-four hours.

My, how things have changed! I wonder what life will be like fifty years from now.



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